

Industry Circular



Internal Revenue Service
Alcohol, Tobacco, and Firearms Division
Washington, D.C. 20224

Industry Circular No. 70- 27

September 17, 1970

AMENDED PERMIT AND FORMULA REQUIREMENTS FOR USERS

Proprietors of distilled spirits plants,
dealers in and users of specially
denatured spirits, users of tax-free
alcohol, and others concerned:

Purpose. This circular is issued to inform you of the provisions of Treasury Decision 7058 published in the Federal Register of September 12, 1970, which amends the regulations relating to users of specially denatured spirits (26 CFR Part 211) and to users of tax-free alcohol (26 CFR Part 213). The amendments are of particular interest to permittees who use not more than 120 gallons of specially denatured spirits or 240 proof gallons of tax-free alcohol annually. However, some changes are of interest to all permittees.

Categories of Permittees. The regulations, as amended, provide three basic groupings of permittees, as described below. For convenience, permittees will be referred to throughout this circular as "Group I," "Group II," or "Group III" permittees, as follows:

Group I. States, not recovering specially denatured spirits or tax-free alcohol, plus other permittees (users) whose annual usage will not exceed 60 gallons of specially denatured spirits or 120 proof gallons of tax-free alcohol and who do not engage in recovery activities.

Group II. States recovering specially denatured spirits or tax-free alcohol, plus other permittees whose annual usage exceeds 60 and is not more than 120 gallons of specially denatured spirits or exceeds 120 and is not more than 240 proof gallons of tax-free alcohol.

Group III. All permittees (other than States) whose annual usage exceeds 120 gallons of specially denatured spirits or 240 proof gallons of tax-free alcohol.

As used in this circular, the term "States" includes political subdivisions thereof and the District of Columbia.

Requirements for Group I Permittees. New simplified qualification requirements are prescribed for Group I permittees. Stated simply, one application, on new Form 4326, will be filed with the Assistant Regional Commissioner. On approval he will issue an industrial use permit on Form 1481 (specially denatured spirits user) or Form 1447 (tax-free alcohol user), stamped "LIMITED", and a withdrawal permit on new Form 4327. Both the industrial use permit and the withdrawal permit will remain in effect indefinitely or until such time as a change in operations requires amendments to the permits or requalification as a Group II or Group III permittee, or until otherwise terminated. See particularly regulations sections 211.55, 211.163a, 213.54, and 213.111a. No bond is required to be filed by Group I permittees, but they must regulate their operations so that they will not have on hand, in transit, and unaccounted for at any one time more than 7 gallons of specially denatured spirits or 14 proof gallons of tax-free alcohol, as

applicable. A State may qualify as a Group I permittee regardless of the quantity used during a year or on hand, in transit, and unaccounted for at one time, so long as spirits are not being recovered. Since the withdrawal permits on Form 4327 issued to Group I permittees need not be renewed annually, the regulations (see sections 211.166 and 213.114) provide for the attachment of additional sheets, with entries made on them covering shipments in the same manner as on the permit. Suppliers, please note this procedure. Only one supplier may be designated on the application; if the supplier is changed, a new application must be filed. This is true for all Group I permittees.

Requirements for Group II Permittees. The requirements on Group II permittees for industrial use and withdrawal permits, including the forms to be used, are basically unchanged. Exceptions are (a) no bond will be required for such users and (b) the maximum amounts of denatured spirits or tax-free alcohol that may be on hand, in transit, and unaccounted for at any one time has been increased to 12 gallons for specially denatured spirits and to 24 proof gallons for tax-free alcohol, as the case may be.

Requirements for Group III Permittees. No regulatory changes were made which would affect Group III permittees, i.e., both permit and bond requirements are the same as heretofore.

Miscellaneous Amendments.

SDA for Certain Laboratory and Mechanical Purposes. Part 211, as amended, no longer requires a Form 1479-A, Formula for Article Made with Specially Denatured Alcohol or Rum, for the use by the permittee, on his permit premises, of limited quantities of specially denatured alcohol for certain laboratory and mechanical purposes. The laboratory uses intended are those which do not involve the development of a product. The maximum quantity that may be so used per year is 60 gallons. The formulas authorized for these purposes are Nos. 3-A and 30. See section 211.169. Formulas which are to be used for these purposes must be shown on the application for a withdrawal permit (Form 1485 or 4326, as appropriate).

Annual List of Changes - Tax-Free Users. Section 213.54 requires that the annual list of changes in stockholders be filed by January 10 (rather than by July 10) of each year. This change will let tax-free users submit the list with the application for renewal of the withdrawal permit (if any) and the report due on January 10.

Waiver of Application Requirements. Provisions under which the Assistant Regional Commissioner may waive certain permit application requirements have been extended to apply to any application involving not more than 120 gallons of specially denatured spirits or 240 proof gallons of tax-free alcohol annually.

New Form 4326. Your Assistant Regional Commissioner will furnish copies of Form 4326, Application for Limited Industrial Use and Withdrawal Permits, on request. Group I permittees may file applications for limited permits before November 1, 1970, the effective date of the regulations; however, limited permits will not be effective before that date.

Inquiries. Inquiries regarding this circular should refer to its number and be addressed to your Assistant Regional Commissioner, Alcohol, Tobacco and Firearms.

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